

# HIGHWAY REHABILITATION PROGRAM IN THE STATE OF SÃO PAULO

(BR-0295)

## EXECUTIVE SUMMARY

<b>Borrower:</b>	Government of the State of São Paulo	
<b>Guarantor:</b>	Federative Republic of Brazil	
<b>Executing agency:</b>	Transport Department, State of São Paulo, Highway Bureau, (DER/SP)	
<b>Amount and source:</b>	IDB: (OC)	US\$120 million
	Borrower:	US\$120 million
	Total:	US\$240 million
<b>Terms and conditions:</b>	Amortization period:	20 years
	Grace period:	4.5 years
	Disbursement period:	4 years
	Interest rate:	variable
	Inspection and supervision:	1.00%
	Credit fee:	0.75%
	Currency:	Currency pool
<b>Objectives:</b>	<p>The aim of the program is to contribute to the economic and social development of the State of São Paulo. Its main purpose is to reduce road transport costs on the highway network operated by DER/SP, by carrying out civil works on a significant portion of highways that are currently in poor or fair condition. Complementing this, in order to facilitate access to the highway network and improve services for users, works will also be carried out in bus terminals, supplemented by training activities and the implementation of road management systems.</p>	
<b>Description:</b>	<p>The program consists of highway restoration and improvement, bus terminal construction and improvements, and institutional strengthening. The road works will consist of refurbishment of pavement, together with the construction or restoration of shoulders, masonry works and components of the drainage system on a total of approximately 1,000 km of highways. The program will also include works to stabilize slopes and install traffic signage, along with other actions to improve transport safety, such as physical alterations in</p>	

traffic patterns and in safety devices, improvements in roundabouts, introduction of a third lane on uphill segments, together with pedestrian walkways, bicycle lanes and other elements where a highway passes through an urban area. Works to be carried out in interurban bus terminals in the interior of the state will include small-scale interventions to facilitate traffic and the use of facilities by all (including the disabled), as well as the construction of new bus terminals in municipios that currently do not have any. DER/SP institutional strengthening activities will include a training program, and pavement management systems, traffic statistics and environmental management.

**The Bank's  
country and  
sector strategy:**

The proposed program is consistent with the strategy agreed upon by the Bank with the country, specifically in terms of enhancing competitiveness and market access (by reducing the "Brazil cost" as a result of lower transport costs; see paragraph 2.19 of the country paper, dated 7 July 2000) and modernization of the State (through modernization of Highway Bureau management). Indirectly, the proposed program will help to reduce poverty by stimulating economic activity, in particular outside the metropolitan area, facilitating access to markets as well as to education and health services, and conserving the environment by restoring areas degraded by previous interventions and implementing more effective environmental conservation measures in highway programs.

**Environmental  
and social  
review:**

The characteristics of the program works do not require an environmental and social impact study, nor do they need to go through the regular process for obtaining environmental permits. In compliance with the Bank's policy, DER/SP prepared an environmental impact assessment (EIA), based on simplified environmental assessments carried out on each sample project. The EIA and other environmental documents were disclosed to the public on 4 May 2001 (paragraph 3.12). The EIA concluded that: (i) from a social and environmental standpoint, the program will improve current conditions in the project's area of influence; (ii) the potential negative environmental impact of the works is minor and foreseeable, and can be mitigated through the measures included in the projects; (iii) the program will include appropriate management of environmental issues, with respect to the impact of the works, critical environmental liabilities, and the transport of hazardous materials; it will also provide the DER/SP with the tools needed to efficiently and permanently discharge its responsibilities in this area, by strengthening its environmental management capacity. The DER/SP has held public meetings with affected communities and other stakeholders, and will continue to do so during preparation of the projects for new highway segments to be brought into the program (paragraph 2.7). The environmental report was approved by the

Committee on Environment and Social Impact (CESI) on 15 June 2001 and forwarded to the Public Information Center (PIC) on 21 June 2001 (paragraph 3.12).

**Benefits:**

The main benefits expected from the proposed program are as follows: (i) lower transport costs; (ii) better access conditions in the state's municipios for passenger transport and the transport of agricultural and industrial production; (iii) greater safety in passenger and freight transport, with decreased accident risk, shorter travel times and more efficient routing; (iv) greater comfort and accessibility for users of bus terminals in the interior of the state; and (v) lower medium- and long-term maintenance and repair costs on the highways covered by the program. The project will benefit all residents of the state of São Paulo, particularly those living outside the metropolitan area. To a lesser extent, it will also benefit residents of neighboring states that directly or indirectly participate in trade in goods, inputs and services between persons and firms located in São Paulo and which use the port of Santos.

**Risks:**

Two risks have been identified. The first relates to the potential delay in preparing highway studies and designs, and their possible obsolescence if the works are carried out rapidly. This risk would be mitigated by drawing up two large groups of studies and high-quality designs, so that they can be put out to tender in the first and second years of program execution (front loading), through contracts with third parties covering both the works and their supervision. The second risk is the gradual loss of skilled DER/SP staff and alternatives for major institutional changes—two factors that could result in administrative discontinuity. In the short run this risk could be mitigated by working with engineers and experts from other bodies connected to the Transport Department, backed by a specific program component for strengthening the engineering area (paragraph 5.35). However, in the medium term, the institutional changes envisaged are considered manageable, since DER/SP is expected to continue to exist (paragraphs 4.13, 4.18 and 5.37).

**Special contractual clauses:**

**Conditions precedent to disbursement:**

- (a) First disbursement: (i) program coordinating unit (UCP) to have been set up and staff appointed; (ii) agreement to have been signed between the borrower and the DER/SP (paragraphs 3.1 and 3.3).
- (b) First disbursement for civil works in bus terminals: (i) model agreement between DER/SP and participating municipios (paragraphs 3.7 and 3.28).

### Signature of contracts and initiation of works:

~~(a)(c)~~ Prior to approval of contracts for civil works, firms to have been contracted for UCP support, environmental consulting services, and technical and environmental supervision services (paragraphs 3.3, 3.4, 3.15, 3.17 and 5.28); prior to initiation of works; (i) measures for the public utilities affected to ~~to~~ facilitate execution of the works, where applicable (paragraph 3.19); (ii) resettlement plan implemented, where relevant (paragraph 5.28); and (iii) for bus terminals, respective agreement to have been signed between DER/SP and municipios (paragraph 3.7).

### Environmental issues:

- (d) Before calling for bids on the works, the respective environmental permit and authorization, or exemption therefrom, together with verification of legal rights of ownership, easements or other necessary rights (*idem* for the municipios participating in the bus terminal component); population resettlement plans where appropriate (paragraphs 3.25, 3.27, 5.27 and 5.28).
- (e) For the component for transport of hazardous materials: ~~(a)~~ 12 months after signature of the loan contract (paragraphs 3.28 and 5.31); ~~(i)~~ agreements to be signed between DER/SP and the unit responsible in the military police; ~~and between DER/SP and the National Transport Training Service (SENAT);~~ ~~(bii)~~ 18 months after signature of the loan contract, procurement of computer equipment and field services for DER/SP environmental consulting services (paragraphs 5.30 ~~and~~); ~~(iv)~~ (paragraph 5.31) ~~and~~ signature of the contract for the ~~highway environmental information system and~~ integration of information systems for managing the transport of hazardous materials; and ~~(cb)~~ 24 months after signature of the loan contract; ~~contract for surveying and evaluating environmental risks on DER/SP paved highways;~~ ~~and~~ ~~(ie)~~ presentation of emergency plan for State-operated highways; ~~and~~ ~~(iiv)~~ ~~after 24 months,~~ conclusion of services and procurement in contracts with the military police ~~and SENAT,~~ and implementation of the DER environmental management system (paragraph 5.33).
- (f) For environmental monitoring; (a) 12 months after signature of the loan contract, DER/SP environmental consulting services; (b) 18 months after signature of the loan contract, (i) contract for implementation of the environmental road information system; and (ii) contract for survey and assessment of environmental liabilities on DER/SP paved highways; and (c) 30 months after signature of the loan contract, implementation of the

environmental management system (paragraphs 5.31 to 5.33). ~~Quarterly reports describing environmental measures, problems and solutions, together with a supplementary quarterly report on environmental aspects (paragraph 5.34).~~

(g) Semiannual reports describing environmental measures, problems and solutions (paragraph 5.33).

**Other:**

~~(g)~~(h) Maintenance of program equipment and works in good condition, and annual maintenance plan (paragraph 3.35).

~~(h)~~(i) Maintenance of data for possible future socioeconomic evaluation (paragraph 2.26).

~~(i)~~(j) Program works not part of the sample will be prepared following the same procedures as those used in the sample (paragraphs 2.7, 3.20 and 5.29).

**Poverty-targeting and social sector classification:**

This operation does not qualify as a social-equity enhancing project, as described in the key objectives for the Bank activity set forth in the report on the Eight General Increase in Resources (document AB-1704). Nonetheless, the bus terminal component is expected to have a positive impact on state's low-income population and the disabled (paragraph 5.18).

**Exceptions to Bank policy:**

The federal government will guarantee repayment of Bank loan (including amortization, interest and fees), but not the local contribution or any other obligation of the executing agency, which is not its legal responsibility (paragraph 4.1). The financial analysis carried out indicates that the borrower has sufficient financial capacity to provide the counterpart funding needed for the program (paragraphs 4.30 to 4.52).

**Procurement:**

International competitive bidding will be used for works in excess of US\$5 million and for the procurement of equipment for over US\$350,000; an international call for proposals will be required for consulting services in excess of US\$200,000 (paragraphs 3.9, 3.10 and 3.30 to 3.33). The lump sum price and unit price systems will both be used for contracting civil works (paragraph 3.22).